



96TH GENERAL ASSEMBLY

State of Illinois

2009 and 2010

HB5872

Introduced 2/10/2010, by Rep. Mike Fortner

SYNOPSIS AS INTRODUCED:

See Index

Amends the General Assembly, State Employee, Downstate Teacher, and Judges Articles of the Illinois Pension Code. Requires the retirement systems to each establish and administer a self-managed plan that shall offer participants the opportunity to accumulate assets for retirement through a combination of participant and State contributions that may be invested in mutual funds, collective investment funds, or other investment products and used to purchase annuity contracts, either fixed or variable or a combination of fixed and variable. Provides that, for a member who first becomes a member after January 1, 2011, for a member of the State Employees' Retirement System of Illinois who becomes employed in a double-exempt position after January 1, 2011, and for a member of the Teachers' Retirement System of the State of Illinois who becomes employed in a contractual position with the governing board after January 1, 2011, any portion of the member's yearly salary that exceeds the Social Security Covered Wage Base for that year shall be subject to the self-managed plan. Makes related changes. Effective immediately.

LRB096 20604 AMC 36308 b

FISCAL NOTE ACT
MAY APPLY

PENSION IMPACT
NOTE ACT MAY
APPLY

1 AN ACT concerning public employee benefits.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The Illinois Pension Code is amended by adding
5 Sections 2-103.1, 2-103.2, 2-126.2, 14-103.40, 14-103.41,
6 14-133.2, 16-122.2, 16-122.3, 16-158.2, 18-118.1, 18-118.2,
7 and 18-133.2 and changing Sections 2-126, 14-133, 16-152, and
8 18-133 as follows:

9 (40 ILCS 5/2-103.1 new)

10 Sec. 2-103.1. Traditional benefit package. "Traditional
11 benefit package" means the defined benefit retirement program
12 maintained by the System, which includes retirement annuities
13 payable directly from the System, as provided in Sections
14 2-119, 2-119.01, 2-119.1, and 2-120; survivor's annuities
15 payable directly from the System, as provided in Sections
16 2-121, 2-121.1, 2-121.2, and 2-121.3; and contribution
17 refunds, as provided in Section 2-123.

18 (40 ILCS 5/2-103.2 new)

19 Sec. 2-103.2. Self-managed plan. "Self-managed plan" means
20 the defined contribution retirement program maintained by the
21 System, as described in Section 2-126.2. The self-managed plan
22 does not include retirement annuities or survivor's benefits

1 payable directly from the System, as provided in Sections
2 2-119, 2-119.01, 2-119.1, 2-120, 2-121, 2-121.1, 2-121.2, and
3 2-121.3 or refunds determined under Section 2-123.

4 (40 ILCS 5/2-126) (from Ch. 108 1/2, par. 2-126)

5 Sec. 2-126. Contributions by participants.

6 (a) Each participant shall contribute toward the cost of
7 his or her retirement annuity a percentage of each payment of
8 salary received by him or her for service as a member as
9 follows: for service between October 31, 1947 and January 1,
10 1959, 5%; for service between January 1, 1959 and June 30,
11 1969, 6%; for service between July 1, 1969 and January 10,
12 1973, 6 1/2%; for service after January 10, 1973, 7%; for
13 service after December 31, 1981, 8 1/2%.

14 (b) Beginning August 2, 1949, each male participant, and
15 from July 1, 1971, each female participant shall contribute
16 towards the cost of the survivor's annuity 2% of salary.

17 A participant who has no eligible survivor's annuity
18 beneficiary may elect to cease making contributions for
19 survivor's annuity under this subsection. A survivor's annuity
20 shall not be payable upon the death of a person who has made
21 this election, unless prior to that death the election has been
22 revoked and the amount of the contributions that would have
23 been paid under this subsection in the absence of the election
24 is paid to the System, together with interest at the rate of 4%
25 per year from the date the contributions would have been made

1 to the date of payment.

2 (c) Beginning July 1, 1967, each participant shall
3 contribute 1% of salary towards the cost of automatic increase
4 in annuity provided in Section 2-119.1. These contributions
5 shall be made concurrently with contributions for retirement
6 annuity purposes.

7 (d) In addition, each participant serving as an officer of
8 the General Assembly shall contribute, for the same purposes
9 and at the same rates as are required of a regular participant,
10 on each additional payment received as an officer. If the
11 participant serves as an officer for at least 2 but less than 4
12 years, he or she shall contribute an amount equal to the amount
13 that would have been contributed had the participant served as
14 an officer for 4 years. Persons who serve as officers in the
15 87th General Assembly but cannot receive the additional payment
16 to officers because of the ban on increases in salary during
17 their terms may nonetheless make contributions based on those
18 additional payments for the purpose of having the additional
19 payments included in their highest salary for annuity purposes;
20 however, persons electing to make these additional
21 contributions must also pay an amount representing the
22 corresponding employer contributions, as calculated by the
23 System.

24 (e) Notwithstanding any provision in this Section to the
25 contrary, for a participant who first becomes a participant
26 under this Article after January 1, 2011, any contributions on

1 amounts in excess of the Social Security Covered Wage Base for
2 that year, including the contributions for a survivor's
3 annuity, shall instead be used to finance the benefits under
4 Section 2-126.2.

5 (Source: P.A. 90-766, eff. 8-14-98.)

6 (40 ILCS 5/2-126.2 new)

7 Sec. 2-126.2. Self-managed plan.

8 (a) The General Assembly Retirement System must establish
9 and administer a self-managed plan that shall offer
10 participants the opportunity to accumulate assets for
11 retirement through a combination of participant and State
12 contributions that may be invested in mutual funds, collective
13 investment funds, or other investment products and used to
14 purchase annuity contracts, either fixed or variable or a
15 combination of fixed and variable. The plan must be qualified
16 under the Internal Revenue Code of 1986.

17 The General Assembly Retirement System shall be the plan
18 sponsor for the self-managed plan and shall prepare a plan
19 document and adopt any rules and procedures as are considered
20 necessary or desirable for the administration of the
21 self-managed plan. Consistent with its fiduciary duty to the
22 participants and beneficiaries of the self-managed plan, the
23 Board of Trustees of the System may delegate aspects of plan
24 administration as it sees fit to companies authorized to do
25 business in this State.

1 (b) Notwithstanding any other provision of this Article,
2 for a participant who first becomes a participant under this
3 Article after January 1, 2011, any portion of the participant's
4 yearly salary that exceeds the Social Security Covered Wage
5 Base for that year shall be subject to the self-managed plan
6 created under this Section.

7 (c) The System shall solicit proposals to provide
8 administrative services and funding vehicles for the
9 self-managed plan from insurance and annuity companies and
10 mutual fund companies, banks, trust companies, or other
11 financial institutions authorized to do business in this State.
12 In reviewing the proposals received and approving and
13 contracting with no fewer than 2 and no more than 7 companies,
14 the Board of Trustees of the System shall consider, among other
15 things, the following criteria:

16 (1) the nature and extent of the benefits that would be
17 provided to the participants;

18 (2) the reasonableness of the benefits in relation to
19 the premium charged;

20 (3) the suitability of the benefits to the needs and
21 interests of the participants and the State; and

22 (4) the ability of the company to provide benefits
23 under the contract and the financial stability of the
24 company.

25 The System shall periodically review each approved
26 company. A company may continue to provide administrative

1 services and funding vehicles for the self-managed plan only so
2 long as it continues to be an approved company under contract
3 with the Board.

4 In addition to the companies approved by the System under
5 this subsection (c), the System may offer its participants an
6 investment fund managed by the Illinois State Board of
7 Investment.

8 (d) Participants in the program must be allowed to direct
9 the transfer of their account balances among the various
10 investment options offered, subject to applicable contractual
11 provisions. The participant shall not be deemed a fiduciary by
12 reason of providing such investment direction. A person who is
13 a fiduciary shall not be liable for any loss resulting from
14 that investment direction and shall not be deemed to have
15 breached any fiduciary duty by acting in accordance with that
16 direction. Neither the System nor the State shall guarantee any
17 of the investments in the participant's account balances.

18 (e) Participation in the self-managed plan under this
19 Section shall constitute participation in the General Assembly
20 Retirement System.

21 (f) The self-managed plan shall be funded by contributions
22 from participants in the self-managed plan and State
23 contributions as provided in this Section.

24 The contribution rate for participants in the self-managed
25 plan under this Section shall be equal to the member
26 contribution rate for other participants in the System, as

1 provided in Section 2-126. This required contribution shall be
2 made as an employer pick-up under Section 414(h) of the
3 Internal Revenue Code of 1986 or any successor Section thereof.
4 Any participant in the System's traditional benefit package
5 prior to his or her election to participate in the self-managed
6 plan shall continue to have the employer pick up the
7 contributions required under Section 2-126. However, the
8 amounts picked up after the election of the self-managed plan
9 shall be remitted to and treated as assets of the self-managed
10 plan. In no event shall a participant have the option of
11 receiving these amounts in cash. Participants may make
12 additional contributions to the self-managed plan in
13 accordance with procedures prescribed by the System, to the
14 extent permitted under rules adopted by the System.

15 The program shall provide for State contributions to be
16 credited to each self-managed plan participant in an amount
17 equal to the employee contributions required under this
18 Section.

19 The State of Illinois shall make contributions by
20 appropriations to the System for participants in the
21 self-managed plan under this Section. The amount required shall
22 be certified by the Board of Trustees of the System and paid by
23 the State in accordance with Section 2-134. The System shall
24 not be obligated to remit the required State contributions to
25 any of the insurance and annuity companies, mutual fund
26 companies, banks, trust companies, financial institutions, or

1 other sponsors of any of the funding vehicles offered under the
2 self-managed plan until it has received the required State
3 contributions from the State.

4 (g) If a participant in the self-managed plan who is
5 otherwise vested under this Article terminates employment, the
6 participant shall be entitled to a benefit that is based on the
7 account values attributable to both State and member
8 contributions and any investment return thereon.

9 If a participant in the self-managed plan who is not
10 otherwise vested under this Article terminates employment, the
11 participant shall be entitled to a benefit based solely on the
12 account values attributable to the participant's contributions
13 and any investment return thereon, and the State contributions
14 and any investment return thereon shall be forfeited. Any State
15 contributions that are forfeited shall be held in escrow by the
16 company investing those contributions and shall be used, as
17 directed by the System, for future allocations of State
18 contributions.

19 (40 ILCS 5/14-103.40 new)

20 Sec. 14-103.40. Traditional benefit package. "Traditional
21 benefit package" means the defined benefit retirement program
22 maintained by the System, which includes retirement annuities
23 payable directly from the System, as provided in Sections
24 14-107, 14-108, 14-113, and 14-114; survivor's annuities
25 payable directly from the System, as provided in Sections

1 14-120, 14-121, and 14-121.1; and contribution refunds, as
2 provided in Section 14-130.

3 (40 ILCS 5/14-103.41 new)

4 Sec. 14-103.41. Self-managed plan. "Self-managed plan"
5 means the defined contribution retirement program maintained
6 by the System, as described in Section 14-133.2. The
7 self-managed plan does not include retirement annuities or
8 survivor's benefits payable directly from the System, as
9 provided in Sections 14-107, 14-108, 14-113, 14-114, 14-120,
10 14-121, and 14-121.1 or refunds determined under Section
11 14-130.

12 (40 ILCS 5/14-133) (from Ch. 108 1/2, par. 14-133)

13 Sec. 14-133. Contributions on behalf of members.

14 (a) Each participating employee shall make contributions
15 to the System, based on the employee's compensation, as
16 follows:

17 (1) Covered employees, except as indicated below, 3.5%
18 for retirement annuity, and 0.5% for a widow or survivors
19 annuity;

20 (2) Noncovered employees, except as indicated below,
21 7% for retirement annuity and 1% for a widow or survivors
22 annuity;

23 (3) Noncovered employees serving in a position in which
24 "eligible creditable service" as defined in Section 14-110

1 may be earned, 1% for a widow or survivors annuity plus the
2 following amount for retirement annuity: 8.5% through
3 December 31, 2001; 9.5% in 2002; 10.5% in 2003; and 11.5%
4 in 2004 and thereafter;

5 (4) Covered employees serving in a position in which
6 "eligible creditable service" as defined in Section 14-110
7 may be earned, 0.5% for a widow or survivors annuity plus
8 the following amount for retirement annuity: 5% through
9 December 31, 2001; 6% in 2002; 7% in 2003; and 8% in 2004
10 and thereafter;

11 (5) Each security employee of the Department of
12 Corrections or of the Department of Human Services who is a
13 covered employee, 0.5% for a widow or survivors annuity
14 plus the following amount for retirement annuity: 5%
15 through December 31, 2001; 6% in 2002; 7% in 2003; and 8%
16 in 2004 and thereafter;

17 (6) Each security employee of the Department of
18 Corrections or of the Department of Human Services who is
19 not a covered employee, 1% for a widow or survivors annuity
20 plus the following amount for retirement annuity: 8.5%
21 through December 31, 2001; 9.5% in 2002; 10.5% in 2003; and
22 11.5% in 2004 and thereafter.

23 (b) Contributions shall be in the form of a deduction from
24 compensation and shall be made notwithstanding that the
25 compensation paid in cash to the employee shall be reduced
26 thereby below the minimum prescribed by law or regulation. Each

1 member is deemed to consent and agree to the deductions from
2 compensation provided for in this Article, and shall receipt in
3 full for salary or compensation.

4 (c) Notwithstanding any provision in this Section to the
5 contrary, for an employee who (1) first becomes an employee
6 under this Article after January 1, 2011 or (2) is a member of
7 the System on January 1, 2011 and becomes employed in a
8 double-exempt position, as defined in subsection (b) of Section
9 14-133.2, after January 1, 2011, any contributions on amounts
10 in excess of the Social Security Covered Wage Base for that
11 year, including the contributions for a survivor's annuity,
12 shall instead be used to finance the benefits under Section
13 14-133.2.

14 (Source: P.A. 92-14, eff. 6-28-01.)

15 (40 ILCS 5/14-133.2 new)

16 Sec. 14-133.2. Self-managed plan.

17 (a) The State Employees' Retirement System of Illinois must
18 establish and administer a self-managed plan that shall offer
19 participants the opportunity to accumulate assets for
20 retirement through a combination of participant and State
21 contributions that may be invested in mutual funds, collective
22 investment funds, or other investment products and used to
23 purchase annuity contracts, either fixed or variable or a
24 combination of fixed and variable. The plan must be qualified
25 under the Internal Revenue Code of 1986.

1 The State Employees' Retirement System of Illinois shall be
2 the plan sponsor for the self-managed plan and shall prepare a
3 plan document and adopt any rules and procedures as are
4 considered necessary or desirable for the administration of the
5 self-managed plan. Consistent with its fiduciary duty to the
6 participants and beneficiaries of the self-managed plan, the
7 Board of Trustees of the System may delegate aspects of plan
8 administration as it sees fit to companies authorized to do
9 business in this State.

10 (b) Notwithstanding any other provision of this Article,
11 for an employee who (1) first becomes an employee under this
12 Article after January 1, 2011 or (2) is a member of the System
13 on January 1, 2011 and becomes employed in a double-exempt
14 position after January 1, 2011, any portion of the employee's
15 yearly salary that exceeds the Social Security Covered Wage
16 Base for that year shall be subject to the self-managed plan
17 created under this Section.

18 For the purposes of this Section, (i) "double-exempt
19 position" means a position that is both *Rutan*-exempt and exempt
20 from the Personnel Code under Section 4(d)(1) or Section
21 4(d)(3) of that Code and (ii) "*Rutan*" means the opinion of the
22 United States Supreme Court in *Rutan v. Republican Party of*
23 *Illinois*, 497 U.S. 62 (1990).

24 (c) The System shall solicit proposals to provide
25 administrative services and funding vehicles for the
26 self-managed plan from insurance and annuity companies and

1 mutual fund companies, banks, trust companies, or other
2 financial institutions authorized to do business in this State.
3 In reviewing the proposals received and approving and
4 contracting with no fewer than 2 and no more than 7 companies,
5 the Board of Trustees of the System shall consider, among other
6 things, the following criteria:

7 (1) the nature and extent of the benefits that would be
8 provided to the participants;

9 (2) the reasonableness of the benefits in relation to
10 the premium charged;

11 (3) the suitability of the benefits to the needs and
12 interests of the participants and the State; and

13 (4) the ability of the company to provide benefits
14 under the contract and the financial stability of the
15 company.

16 The System shall periodically review each approved
17 company. A company may continue to provide administrative
18 services and funding vehicles for the self-managed plan only so
19 long as it continues to be an approved company under contract
20 with the Board.

21 In addition to the companies approved by the System under
22 this subsection (c), the System may offer its participants an
23 investment fund managed by the Illinois State Board of
24 Investment.

25 (d) Participants in the program must be allowed to direct
26 the transfer of their account balances among the various

1 investment options offered, subject to applicable contractual
2 provisions. The participant shall not be deemed a fiduciary by
3 reason of providing such investment direction. A person who is
4 a fiduciary shall not be liable for any loss resulting from
5 that investment direction and shall not be deemed to have
6 breached any fiduciary duty by acting in accordance with that
7 direction. Neither the System nor the State shall guarantee any
8 of the investments in the participant's account balances.

9 (e) Participation in the self-managed plan under this
10 Section shall constitute participation in the State Employees'
11 Retirement System of Illinois.

12 (f) The self-managed plan shall be funded by contributions
13 from participants in the self-managed plan and State
14 contributions as provided in this Section.

15 The contribution rate for participants in the self-managed
16 plan under this Section shall be equal to the member
17 contribution rate for other participants in the System, as
18 provided in Section 14-133. This required contribution shall be
19 made as an employer pick-up under Section 414(h) of the
20 Internal Revenue Code of 1986 or any successor Section thereof.
21 Any participant in the System's traditional benefit package
22 prior to his or her election to participate in the self-managed
23 plan shall continue to have the employer pick up the
24 contributions required under Section 14-133. However, the
25 amounts picked up after the election of the self-managed plan
26 shall be remitted to and treated as assets of the self-managed

1 plan. In no event shall a participant have the option of
2 receiving these amounts in cash. Participants may make
3 additional contributions to the self-managed plan in
4 accordance with procedures prescribed by the System, to the
5 extent permitted under rules adopted by the System.

6 The program shall provide for State contributions to be
7 credited to each self-managed plan participant in an amount
8 equal to the employee contributions required under this
9 Section.

10 The State of Illinois shall make contributions by
11 appropriations to the System for participants in the
12 self-managed plan under this Section. The amount required shall
13 be certified by the Board of Trustees of the System and paid by
14 the State in accordance with Sections 14-132 and 14-135.08. The
15 System shall not be obligated to remit the required State
16 contributions to any of the insurance and annuity companies,
17 mutual fund companies, banks, trust companies, financial
18 institutions, or other sponsors of any of the funding vehicles
19 offered under the self-managed plan until it has received the
20 required State contributions from the State.

21 (g) If a participant in the self-managed plan who is
22 otherwise vested under this Article terminates employment, the
23 participant shall be entitled to a benefit that is based on the
24 account values attributable to both State and member
25 contributions and any investment return thereon.

26 If a participant in the self-managed plan who is not

1 otherwise vested under this Article terminates employment, the
2 participant shall be entitled to a benefit based solely on the
3 account values attributable to the participant's contributions
4 and any investment return thereon, and the State contributions
5 and any investment return thereon shall be forfeited. Any State
6 contributions that are forfeited shall be held in escrow by the
7 company investing those contributions and shall be used, as
8 directed by the System, for future allocations of State
9 contributions.

10 (40 ILCS 5/16-122.2 new)

11 Sec. 16-122.2. Traditional benefit package. "Traditional
12 benefit package" means the defined benefit retirement program
13 maintained by the System, which includes retirement annuities
14 payable directly from the System, as provided in Sections
15 16-132, 16-133, 16-133.1, and 16-136; survivor's annuities
16 payable directly from the System, as provided in Sections
17 16-140, 16-141, 16-142, 16-142.1, 16-142.2, 16-142.3, 16-143,
18 and 16-143.1; and contribution refunds, as provided in Section
19 16-151.

20 (40 ILCS 5/16-122.3 new)

21 Sec. 16-122.3. Self-managed plan. "Self-managed plan"
22 means the defined contribution retirement program maintained
23 by the System, as described in Section 16-158.2. The
24 self-managed plan does not include retirement annuities or

1 survivor's benefits payable directly from the System, as
2 provided in Sections 16-132, 16-133, 16-133.1, 16-136, 16-140,
3 16-141, 16-142, 16-142.1, 16-142.2, 16-142.3, 16-143, and
4 16-143.1 or refunds determined under Section 16-151.

5 (40 ILCS 5/16-152) (from Ch. 108 1/2, par. 16-152)
6 Sec. 16-152. Contributions by members.

7 (a) Each member shall make contributions for membership
8 service to this System as follows:

9 (1) Effective July 1, 1998, contributions of 7.50% of
10 salary towards the cost of the retirement annuity. Such
11 contributions shall be deemed "normal contributions".

12 (2) Effective July 1, 1969, contributions of 1/2 of 1%
13 of salary toward the cost of the automatic annual increase
14 in retirement annuity provided under Section 16-133.1.

15 (3) Effective July 24, 1959, contributions of 1% of
16 salary towards the cost of survivor benefits. Such
17 contributions shall not be credited to the individual
18 account of the member and shall not be subject to refund
19 except as provided under Section 16-143.2.

20 (4) Effective July 1, 2005, contributions of 0.40% of
21 salary toward the cost of the early retirement without
22 discount option provided under Section 16-133.2. This
23 contribution shall cease upon termination of the early
24 retirement without discount option as provided in Section
25 16-176.

1 (b) The minimum required contribution for any year of
2 full-time teaching service shall be \$192.

3 (c) Contributions shall not be required of any annuitant
4 receiving a retirement annuity who is given employment as
5 permitted under Section 16-118 or 16-150.1.

6 (d) A person who (i) was a member before July 1, 1998, (ii)
7 retires with more than 34 years of creditable service, and
8 (iii) does not elect to qualify for the augmented rate under
9 Section 16-129.1 shall be entitled, at the time of retirement,
10 to receive a partial refund of contributions made under this
11 Section for service occurring after the later of June 30, 1998
12 or attainment of 34 years of creditable service, in an amount
13 equal to 1.00% of the salary upon which those contributions
14 were based.

15 (e) A member's contributions toward the cost of early
16 retirement without discount made under item (a)(4) of this
17 Section shall not be refunded if the member has elected early
18 retirement without discount under Section 16-133.2 and has
19 begun to receive a retirement annuity under this Article
20 calculated in accordance with that election. Otherwise, a
21 member's contributions toward the cost of early retirement
22 without discount made under item (a)(4) of this Section shall
23 be refunded according to whichever one of the following
24 circumstances occurs first:

25 (1) The contributions shall be refunded to the member,
26 without interest, within 120 days after the member's

1 retirement annuity commences, if the member does not elect
2 early retirement without discount under Section 16-133.2.

3 (2) The contributions shall be included, without
4 interest, in any refund claimed by the member under Section
5 16-151.

6 (3) The contributions shall be refunded to the member's
7 designated beneficiary (or if there is no beneficiary, to
8 the member's estate), without interest, if the member dies
9 without having begun to receive a retirement annuity under
10 this Article.

11 (4) The contributions shall be refunded to the member,
12 without interest, within 120 days after the early
13 retirement without discount option provided under Section
14 16-133.2 is terminated under Section 16-176.

15 (c) Notwithstanding any provision in this Section to the
16 contrary, for a member who (1) first becomes a member under
17 this Article after January 1, 2011 or (2) is a member of the
18 System on January 1, 2011 and becomes employed in a contractual
19 position with the governing board after January 1, 2011, any
20 contributions on amounts in excess of the Social Security
21 Covered Wage Base for that year, including the contributions
22 for a survivor's annuity, shall instead be used to finance the
23 benefits under Section 16-158.2.

24 (Source: P.A. 93-320, eff. 7-23-03; 94-4, eff. 6-1-05.)

25 (40 ILCS 5/16-158.2 new)

1 Sec. 16-158.2. Self-managed plan.

2 (a) The Teachers' Retirement System of the State of
3 Illinois must establish and administer a self-managed plan that
4 shall offer participants the opportunity to accumulate assets
5 for retirement through a combination of participant and State
6 contributions that may be invested in mutual funds, collective
7 investment funds, or other investment products and used to
8 purchase annuity contracts, either fixed or variable or a
9 combination of fixed and variable. The plan must be qualified
10 under the Internal Revenue Code of 1986.

11 The Teachers' Retirement System of the State of Illinois
12 shall be the plan sponsor for the self-managed plan and shall
13 prepare a plan document and adopt any rules and procedures as
14 are considered necessary or desirable for the administration of
15 the self-managed plan. Consistent with its fiduciary duty to
16 the participants and beneficiaries of the self-managed plan,
17 the Board of Trustees of the System may delegate aspects of
18 plan administration as it sees fit to companies authorized to
19 do business in this State.

20 (b) Notwithstanding any other provision of this Article,
21 for a member who (1) first becomes a member under this Article
22 after January 1, 2011 or (2) is a member of the System on
23 January 1, 2011 and becomes employed in a contractual position
24 with the governing board after January 1, 2011, any portion of
25 the member's yearly salary that exceeds the Social Security
26 Covered Wage Base for that year shall be subject to the

1 self-managed plan created under this Section.

2 (c) The System shall solicit proposals to provide
3 administrative services and funding vehicles for the
4 self-managed plan from insurance and annuity companies and
5 mutual fund companies, banks, trust companies, or other
6 financial institutions authorized to do business in this State.
7 In reviewing the proposals received and approving and
8 contracting with no fewer than 2 and no more than 7 companies,
9 the Board of Trustees of the System shall consider, among other
10 things, the following criteria:

11 (1) the nature and extent of the benefits that would be
12 provided to the participants;

13 (2) the reasonableness of the benefits in relation to
14 the premium charged;

15 (3) the suitability of the benefits to the needs and
16 interests of the participants and the State; and

17 (4) the ability of the company to provide benefits
18 under the contract and the financial stability of the
19 company.

20 The System shall periodically review each approved
21 company. A company may continue to provide administrative
22 services and funding vehicles for the self-managed plan only so
23 long as it continues to be an approved company under contract
24 with the Board.

25 In addition to the companies approved by the System under
26 this subsection (c), the System may offer its participants an

1 investment fund managed by the Illinois State Board of
2 Investment.

3 (d) Participants in the program must be allowed to direct
4 the transfer of their account balances among the various
5 investment options offered, subject to applicable contractual
6 provisions. The participant shall not be deemed a fiduciary by
7 reason of providing such investment direction. A person who is
8 a fiduciary shall not be liable for any loss resulting from
9 that investment direction and shall not be deemed to have
10 breached any fiduciary duty by acting in accordance with that
11 direction. Neither the System nor the State shall guarantee any
12 of the investments in the participant's account balances.

13 (e) Participation in the self-managed plan under this
14 Section shall constitute participation in the Teachers'
15 Retirement System of the State of Illinois.

16 (f) The self-managed plan shall be funded by contributions
17 from participants in the self-managed plan and State
18 contributions as provided in this Section.

19 The contribution rate for participants in the self-managed
20 plan under this Section shall be equal to the member
21 contribution rate for other participants in the System, as
22 provided in Section 16-152. This required contribution shall be
23 made as an employer pick-up under Section 414(h) of the
24 Internal Revenue Code of 1986 or any successor Section thereof.
25 Any participant in the System's traditional benefit package
26 prior to his or her election to participate in the self-managed

1 plan shall continue to have the employer pick up the
2 contributions required under Section 16-152. However, the
3 amounts picked up after the election of the self-managed plan
4 shall be remitted to and treated as assets of the self-managed
5 plan. In no event shall a participant have the option of
6 receiving these amounts in cash. Participants may make
7 additional contributions to the self-managed plan in
8 accordance with procedures prescribed by the System, to the
9 extent permitted under rules adopted by the System.

10 The program shall provide for State contributions to be
11 credited to each self-managed plan participant in an amount
12 equal to the employee contributions required under this
13 Section.

14 The State of Illinois shall make contributions by
15 appropriations to the System for participants in the
16 self-managed plan under this Section. The amount required shall
17 be certified by the Board of Trustees of the System and paid by
18 the State in accordance with Section 16-158. The System shall
19 not be obligated to remit the required State contributions to
20 any of the insurance and annuity companies, mutual fund
21 companies, banks, trust companies, financial institutions, or
22 other sponsors of any of the funding vehicles offered under the
23 self-managed plan until it has received the required State
24 contributions from the State.

25 (g) If a participant in the self-managed plan who is
26 otherwise vested under this Article terminates employment, the

1 participant shall be entitled to a benefit that is based on the
2 account values attributable to both State and member
3 contributions and any investment return thereon.

4 If a participant in the self-managed plan who is not
5 otherwise vested under this Article terminates employment, the
6 participant shall be entitled to a benefit based solely on the
7 account values attributable to the participant's contributions
8 and any investment return thereon, and the State contributions
9 and any investment return thereon shall be forfeited. Any State
10 contributions that are forfeited shall be held in escrow by the
11 company investing those contributions and shall be used, as
12 directed by the System, for future allocations of State
13 contributions.

14 (40 ILCS 5/18-118.1 new)

15 Sec. 18-118.1. Traditional benefit package. "Traditional
16 benefit package" means the defined benefit retirement program
17 maintained by the System, which includes retirement annuities
18 payable directly from the System, as provided in Sections
19 18-124, 18-125, and 18-125.1; survivor's annuities payable
20 directly from the System, as provided in Sections 18-128,
21 18-128.01, 18-128.1, 18-128.1, and 18-128.3; and contribution
22 refunds, as provided in Section 18-129.

23 (40 ILCS 5/18-118.2 new)

24 Sec. 18-118.2. Self-managed plan. "Self-managed plan"

1 means the defined contribution retirement program maintained
2 by the System, as described in Section 18-133.2. The
3 self-managed plan does not include retirement annuities or
4 survivor's benefits payable directly from the System, as
5 provided in Sections 18-124, 18-125, 18-125.1, 18-128,
6 18-128.01, 18-128.1, 18-128.1, and 18-128.3 or refunds
7 determined under Section 18-129.

8 (40 ILCS 5/18-133) (from Ch. 108 1/2, par. 18-133)

9 Sec. 18-133. Financing; employee contributions.

10 (a) Effective July 1, 1967, each participant is required to
11 contribute 7 1/2% of each payment of salary toward the
12 retirement annuity. Such contributions shall continue during
13 the entire time the participant is in service, with the
14 following exceptions:

15 (1) Contributions for the retirement annuity are not
16 required on salary received after 18 years of service by
17 persons who were participants before January 2, 1954.

18 (2) A participant who continues to serve as a judge
19 after becoming eligible to receive the maximum rate of
20 annuity may elect, through a written direction filed with
21 the Board, to discontinue contributing to the System. Any
22 such option elected by a judge shall be irrevocable unless
23 prior to January 1, 2000, and while continuing to serve as
24 judge, the judge (A) files with the Board a letter
25 cancelling the direction to discontinue contributing to

1 the System and requesting that such contributing resume,
2 and (B) pays into the System an amount equal to the total
3 of the discontinued contributions plus interest thereon at
4 5% per annum. Service credits earned in any other
5 "participating system" as defined in Article 20 of this
6 Code shall be considered for purposes of determining a
7 judge's eligibility to discontinue contributions under
8 this subdivision (a) (2).

9 (3) A participant who (i) has attained age 60, (ii)
10 continues to serve as a judge after becoming eligible to
11 receive the maximum rate of annuity, and (iii) has not
12 elected to discontinue contributing to the System under
13 subdivision (a) (2) of this Section (or has revoked any such
14 election) may elect, through a written direction filed with
15 the Board, to make contributions to the System based only
16 on the amount of the increases in salary received by the
17 judge on or after the date of the election, rather than the
18 total salary received. If a judge who is making
19 contributions to the System on the effective date of this
20 amendatory Act of the 91st General Assembly makes an
21 election to limit contributions under this subdivision
22 (a) (3) within 90 days after that effective date, the
23 election shall be deemed to become effective on that
24 effective date and the judge shall be entitled to receive a
25 refund of any excess contributions paid to the System
26 during that 90-day period; any other election under this

1 subdivision (a) (3) becomes effective on the first of the
2 month following the date of the election. An election to
3 limit contributions under this subdivision (a) (3) is
4 irrevocable. Service credits earned in any other
5 participating system as defined in Article 20 of this Code
6 shall be considered for purposes of determining a judge's
7 eligibility to make an election under this subdivision
8 (a) (3).

9 (b) Beginning July 1, 1969, each participant is required to
10 contribute 1% of each payment of salary towards the automatic
11 increase in annuity provided in Section 18-125.1. However, such
12 contributions need not be made by any participant who has
13 elected prior to September 15, 1969, not to be subject to the
14 automatic increase in annuity provisions.

15 (c) Effective July 13, 1953, each married participant
16 subject to the survivor's annuity provisions is required to
17 contribute 2 1/2% of each payment of salary, whether or not he
18 or she is required to make any other contributions under this
19 Section. Such contributions shall be made concurrently with the
20 contributions made for annuity purposes.

21 (d) Notwithstanding any provision in this Section to the
22 contrary, for a participant who first becomes a participant
23 under this Article after January 1, 2011, any contributions on
24 amounts in excess of the Social Security Covered Wage Base for
25 that year, including the contributions for a survivor's
26 annuity, shall instead be used to finance the benefits under

1 Section 18-133.2.

2 (Source: P.A. 91-653, eff. 12-10-99.)

3 (40 ILCS 5/18-133.2 new)

4 Sec. 18-133.2. Self-managed plan.

5 (a) The Judges Retirement System of Illinois must establish
6 and administer a self-managed plan that shall offer
7 participants the opportunity to accumulate assets for
8 retirement through a combination of participant and State
9 contributions that may be invested in mutual funds, collective
10 investment funds, or other investment products and used to
11 purchase annuity contracts, either fixed or variable or a
12 combination of fixed and variable. The plan must be qualified
13 under the Internal Revenue Code of 1986.

14 The Judges Retirement System of Illinois shall be the plan
15 sponsor for the self-managed plan and shall prepare a plan
16 document and adopt any rules and procedures as are considered
17 necessary or desirable for the administration of the
18 self-managed plan. Consistent with its fiduciary duty to the
19 participants and beneficiaries of the self-managed plan, the
20 Board of Trustees of the System may delegate aspects of plan
21 administration as it sees fit to companies authorized to do
22 business in this State.

23 (b) Notwithstanding any other provision of this Article,
24 for a participant who first becomes a participant under this
25 Article after January 1, 2011, any portion of the participant's

1 yearly salary that exceeds the Social Security Covered Wage
2 Base for that year shall be subject to the self-managed plan
3 created under this Section.

4 (c) The System shall solicit proposals to provide
5 administrative services and funding vehicles for the
6 self-managed plan from insurance and annuity companies and
7 mutual fund companies, banks, trust companies, or other
8 financial institutions authorized to do business in this State.
9 In reviewing the proposals received and approving and
10 contracting with no fewer than 2 and no more than 7 companies,
11 the Board of Trustees of the System shall consider, among other
12 things, the following criteria:

13 (1) the nature and extent of the benefits that would be
14 provided to the participants;

15 (2) the reasonableness of the benefits in relation to
16 the premium charged;

17 (3) the suitability of the benefits to the needs and
18 interests of the participants and the State; and

19 (4) the ability of the company to provide benefits
20 under the contract and the financial stability of the
21 company.

22 The System shall periodically review each approved
23 company. A company may continue to provide administrative
24 services and funding vehicles for the self-managed plan only so
25 long as it continues to be an approved company under contract
26 with the Board.

1 In addition to the companies approved by the System under
2 this subsection (c), the System may offer its participants an
3 investment fund managed by the Illinois State Board of
4 Investment.

5 (d) Participants in the program must be allowed to direct
6 the transfer of their account balances among the various
7 investment options offered, subject to applicable contractual
8 provisions. The participant shall not be deemed a fiduciary by
9 reason of providing such investment direction. A person who is
10 a fiduciary shall not be liable for any loss resulting from
11 that investment direction and shall not be deemed to have
12 breached any fiduciary duty by acting in accordance with that
13 direction. Neither the System nor the State shall guarantee any
14 of the investments in the participant's account balances.

15 (e) Participation in the self-managed plan under this
16 Section shall constitute participation in the Judges
17 Retirement System of Illinois.

18 (f) The self-managed plan shall be funded by contributions
19 from participants in the self-managed plan and State
20 contributions as provided in this Section.

21 The contribution rate for participants in the self-managed
22 plan under this Section shall be equal to the member
23 contribution rate for other participants in the System, as
24 provided in Section 18-133. This required contribution shall be
25 made as an employer pick-up under Section 414(h) of the
26 Internal Revenue Code of 1986 or any successor Section thereof.

1 Any participant in the System's traditional benefit package
2 prior to his or her election to participate in the self-managed
3 plan shall continue to have the employer pick up the
4 contributions required under Section 18-133. However, the
5 amounts picked up after the election of the self-managed plan
6 shall be remitted to and treated as assets of the self-managed
7 plan. In no event shall a participant have the option of
8 receiving these amounts in cash. Participants may make
9 additional contributions to the self-managed plan in
10 accordance with procedures prescribed by the System, to the
11 extent permitted under rules adopted by the System.

12 The program shall provide for State contributions to be
13 credited to each self-managed plan participant in an amount
14 equal to the employee contributions required under this
15 Section.

16 The State of Illinois shall make contributions by
17 appropriations to the System for participants in the
18 self-managed plan under this Section. The amount required shall
19 be certified by the Board of Trustees of the System and paid by
20 the State in accordance with Sections 18-132 and 18-140. The
21 System shall not be obligated to remit the required State
22 contributions to any of the insurance and annuity companies,
23 mutual fund companies, banks, trust companies, financial
24 institutions, or other sponsors of any of the funding vehicles
25 offered under the self-managed plan until it has received the
26 required State contributions from the State.

1 (g) If a participant in the self-managed plan who is
2 otherwise vested under this Article terminates employment, the
3 participant shall be entitled to a benefit that is based on the
4 account values attributable to both State and member
5 contributions and any investment return thereon.

6 If a participant in the self-managed plan who is not
7 otherwise vested under this Article terminates employment, the
8 participant shall be entitled to a benefit based solely on the
9 account values attributable to the participant's contributions
10 and any investment return thereon, and the State contributions
11 and any investment return thereon shall be forfeited. Any State
12 contributions that are forfeited shall be held in escrow by the
13 company investing those contributions and shall be used, as
14 directed by the System, for future allocations of State
15 contributions.

16 Section 99. Effective date. This Act takes effect upon
17 becoming law.

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40 ILCS 5/2-126.2 new

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40 ILCS 5/14-103.41 new

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